



U.S. SENATOR JIM TALENT

The Medicare Prescription Drug Law of 2003

According to the AARP the law is "...an important milestone in the nation's commitment to strengthen and expand health care security for its citizens..."

March 2004

Medicare is a great program. It covers tens of millions of seniors with good medical care. But until now it hasn't included a prescription drug benefit. That's why I am very pleased the Congress kept its promise to seniors by adding a prescription drug benefit to the Medicare program.

The bipartisan plan meets the conditions that I thought were important for a Medicare prescription drug bill. It has an immediate benefit, reasonable monthly premiums, strong catastrophic coverage, targeted help for low-income seniors, quality benefits for rural areas, protections for local pharmacies, choice and access to all medicine and participation is voluntary. If you like the Medicare you have, you don't have to participate.

Most importantly, seniors now have the security of knowing that if at any time they need a very expensive prescription drug, they will not have to choose between the necessities of life and the drugs they need to stay healthy.

I hope you will take a moment to read these materials about the new law. This information is also available online at talent.senate.gov/medicarefacts.pdf.

If you have any questions or if I may be of further assistance, please don't hesitate to call or write me.

Sincerely,

James M. Talent
United States Senator

FEATURES OF THE NEW PRESCRIPTION DRUG BENEFIT

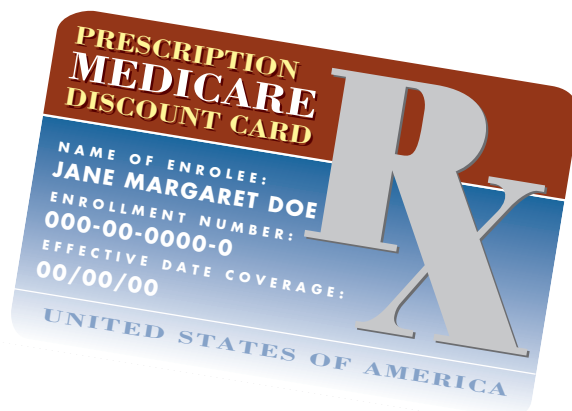
IMMEDIATE ASSISTANCE

Missouri Medicare beneficiaries will receive in mid-2004 an early benefit through a prescription drug card that will also provide \$600 for those with lower incomes to use to buy prescription drugs.

The card works two ways. Every senior who wants the card can use it for a discount of up to 10 to 25 percent on prescription drugs.

In addition, in 2004 and 2005, low-income seniors can use the card to pay for up to \$600 in drug purchases. To receive this second benefit, seniors must have a 2004 income of less than \$12,569 for individuals and \$16,862 for couples.

Seniors who want the card will pay an annual enrollment fee of no more than \$35 dollars. Lower income seniors get the card for free.



PRESCRIPTION DRUG COVERAGE

Starting in 2006, beneficiaries will have three basic choices for their Medicare benefits and voluntary prescription drug coverage. At that time, both the new voluntary prescription drug benefit

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and the Medicare Advantage program will be up and running.

The first choice is to remain enrolled in the traditional Medicare program and decline coverage for a prescription drug benefit. Enrollment in the drug benefit is completely voluntary, which means that no senior who does not want or need this prescription drug coverage will be forced to have it. Beneficiaries who do not enroll in the Medicare drug benefit also may keep any supplemental Medigap insurance in which they are currently enrolled. The plan assures beneficiaries that if they already have good coverage available to them they can keep it, and if they need the additional coverage they can get it.

The second choice is to remain in the traditional Medicare program and add a free-standing prescription drug plan. Seniors who do this will have three health care plans – Medicare Part A (hospital coverage), Medicare Part B (physician's coverage) and prescription drug insurance. Seniors will continue to pay all the deductibles, co-pays and premiums associated with those programs.

The third option is Medicare Advantage, which is designed to give seniors more health plan choices and better benefits. Enrollment in Medicare Advantage is completely voluntary. Beneficiaries who choose this option can get an array of services not available in traditional Medicare such as vaccinations, mammograms, cancer screening, diabetes screening, self-management tools and glaucoma and cardiovascular screening. These and other services will be offered by Preferred Provider Organizations which are among the most common and popular plans for working Americans. This option may be especially attractive to seniors with significant

What The New Medicare Law Means for Missouri

- ✓ Nearly 890,000 seniors will have access to the drug benefit
- ✓ Nearly 215,000 who have no coverage now will have access to drug benefit for the first time

Source: Centers for Medicare and Medicaid Services

hospital needs and recent retirees who might have had similar employee health insurance plans.

THE STANDARD PRESCRIPTION DRUG BENEFIT

What will your benefit be under the new law?

The standard benefit specified in law has a \$250 deductible and then Medicare pays 75 percent of prescription drug costs between \$250 and \$2,250 in annual drug spending. If a beneficiary incurs \$3,600 in out-of-pocket costs for prescription drugs in a given year, the stop-loss benefit protects all enrollees from catastrophically high annual drug costs. After reaching the stop-loss limit, beneficiaries will pay only \$2 for generic drugs and \$5 for all other drugs or a 5 percent copayment of the discount price.

Under the standard benefit, Medicare beneficiaries who would otherwise have spent \$2,000 on their prescription drugs will save \$1,413. That is a 71 percent reduction in out-of-pocket costs-all for the cost of the affordable monthly premium of about \$35. Those with above average spending of \$7,000 would save \$3,375. That is a 48 percent reduction in out-of-pocket costs.

TARGETED ASSISTANCE FOR MISSOURIANS WHO NEED IT MOST

The assistance in the new law is targeted towards those with the greatest need.

There are four main categories of eligibility for low-income assistance. First, those with incomes of less than \$12,569 for individuals and \$16,862 or less for couples will pay no premium, incur no deductible, and will have cost sharing of just \$2 for generic medications and \$5 for brand name drugs.

Lowering Rx Costs

- ✓ Drug Discount Card
- ✓ Cheaper Generic Drugs
- ✓ Tough Bargaining with Drug Companies



In addition, they will have no cost sharing at all for any expenditures above \$5,100 in total drug costs or \$3,600 in true out-of-pocket spending. As a result, for these individuals, the Medicare benefit will cover more than 94 percent of the prescription drug costs. For example, those spending \$6,000 (in 2006) would realize a 95 percent reduction in out-of-pocket costs. Altogether, over 269,000 Missourians will qualify for this comprehensive level of coverage.

The second category of lower income benefits is for those with annual incomes of \$13,965 or less and below \$10,000 in assets if they are single, and annual incomes of \$18,735 or less and less than \$20,000 in assets for couples. These individuals will pay a reduced monthly premium on a sliding scale from \$0 to \$35 and incur a \$50 deductible. After meeting the deductible, Medicare will cover 85 percent of prescription drug costs between \$50 and \$5,100, or \$3,600 in true out-of-pocket spending. For spending above \$5,100, this group would pay minimal cost sharing of just \$2 for generics and \$5 for brand name medications. As a result, for these individuals, the Medicare benefit will cover 84 to 94 percent of their annual prescription drug costs. For example, those with above average out-of-pocket spending of \$6,000 (in 2006) would realize an 86 percent reduction in out-of-pocket drug spending. Altogether, over 62,000 Missouri seniors will qualify for this level of drug benefit.

The last two categories of beneficiaries receive the most generous targeted coverage. These last two categories include those who are eligible for both Medicare and Medicaid with incomes below \$9,310 for individuals and \$12,490 for couples and who have minimal assets as determined by the state Medicaid program. Over 144,000 Missouri seniors will benefit from this program which is estimated to save the state of Missouri \$658 million over 8 years.

LOWERING DRUG COSTS

The prescription drug program will lower costs for Medicare beneficiaries by reducing prices from drug makers and by using accelerated delivery of generic drugs to the marketplace.

The new program will lead to substantial price reductions from the drug manufacturers.



Sen. Talent chairs an Aging Committee field hearing in Missouri on strengthening Medicare by adding a prescription drug benefit.

Under the new law, the government will pay much of the cost for companies to offer prescription coverage to seniors. These companies will negotiate discounted prices with drug manufacturers so they can offer a drug benefit with lower premiums to prospective Medicare enrollees.

The new law will also speed up entry of generic drugs to the marketplace, which will significantly reduce prescription drug prices. I co-sponsored this provision which revises the drug approval process so that brand name drug companies cannot game the system by obtaining multiple delays in the approval of a new generic drug competitor. Under the new law, the brand name companies will only have one 30-month stay on the approval of a competitor generic drug. Generic drug companies are also forced to give up an 80-day market exclusivity for a newly approved generic drug if they fail to bring the drug to market within a specified time period.

Congress also authorized the Secretary of Health and Human Services to create a system for the safe reimportation of drugs from Canada by pharmacists, wholesalers and individuals.

Most important, for the first time every senior will be part of a large insurance pool; no senior will have to face the big drug manufacturers alone.

AARP ENDORSED

The AARP, which is the largest seniors organization representing more than 26 million Americans 60 and older, has strongly endorsed the Medicare prescription drug law because it knows the bill is good for seniors.

FAIR TREATMENT FOR MISSOURI HEALTH CARE

Missouri stands to gain with improved access to health care due to payment increases for Missouri's health care delivery system.

In addition to adding a prescription drug benefit and making other improvements to Medicare, the new program also increases Medicare funding for doctors, hospitals and other health care providers, especially in rural areas, where reimbursement levels are far below what is paid in other regions of the country.

I'm a member of the Senate Rural Health Care Caucus and the rural health package we passed is one of the most dramatic improvements in rural health care any Congress has ever considered. It is a \$25 billion commitment over 10 years. The law helps our state by increasing payments to Missouri hospitals by \$424 million over the next 10 years.

Doctors from all over Missouri have told me how this will help them provide better health care to their patients through increased reimbursement for treatment and greater patient access and choice.

FEATURES OF THE NEW PRESCRIPTION DRUG BENEFIT



Voluntary



Immediate benefit



Reasonable monthly premiums



Strong catastrophic coverage



Targeted help for low-income seniors



Quality benefits for rural health care



Protections for local pharmacies



Choice and access to all medicine



**Tax-advantaged Health Savings
Accounts**

How to Contact Senator Talent

Washington, D.C.

**493 Russell Senate Office Building
Washington, D.C. 20510
(202) 224-6154**

St. Louis

**Three City Place Drive
Ste 1020
St. Louis, MO 63141
(314) 432-5211**

Springfield

**1721 West Elfindale, Ste 301
Springfield, MO 65807
(417) 831-2735**

Jefferson City

**122 East High Street,
2nd Floor
Jefferson City, MO 65101
(573) 636-1070**

Kansas City

**Whittaker Federal Office Building
400 East 9th Street, Ste 40
Plaza Level
Kansas City, MO 64106
(816) 421-1639**

Cape Girardeau

**339 Broadway, Room 136
Cape Girardeau, MO 63701
(573) 651-0964**

Visit Senator Talent's Website at: talent.senate.gov